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FOR SECRETARY CLINTON FROM AMBASSADOR NELSON  
WHA FOR A/S VALENZUELA, DAS McMULLEN, AND DRUCKER  
NSC FOR RESTREPO

E.O. 12958: N/A

TAGS: [PREL](#) [PGOV](#) [ETRD](#) [UY](#)

SUBJECT: Scenesetter for the Secretary's March 1 Trip to Uruguay

Summary

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**¶1.** ( SBU) Embassy Montevideo warmly welcomes your March 1 visit to attend the inauguration of Jose "Pepe" Mujica, a former Tupamaro guerrilla with a remarkable life trajectory. Mujica's ascension to power at the age of 74 can be seen as a success story of national reconciliation and the maturing of Uruguayan democracy. Observers credit Mujica's solid victory in Uruguay's November run-off elections both to his compelling, albeit polarizing, personal story and the Uruguayan population's satisfaction with the results of his Frente Amplio coalition's successful performance under the leadership of incumbent President Tabare Vazquez. We expect Mujica to continue Uruguay's prudent macroeconomic policies and a centrist foreign policy, despite occasional leftist rhetoric. Given his past there are some public questions about the future of our relationship. However, he has indicated that he understands the importance of the United States to Uruguay, and at this point we anticipate being able to work productively with him to keep the bilateral relationship strong. Your visit will be a welcome affirmation that we appreciate and seek to maintain the cooperative relationship, recognizing the important role Uruguay plays in promoting regional stability, democracy, conflict resolution and peacekeeping missions worldwide. End Summary.

Uruguay at a Glance

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**¶2.** (U) Positioned (sometimes uncomfortably) between regional giants Brazil and Argentina, Uruguay is a stable, democratic nation of 3.3 million people, almost half of them residing in its capital, Montevideo. Uruguay is one of Latin America's wealthiest and most egalitarian countries, with an economy characterized by a reliance on tourism and an export-oriented agricultural sector, a well-educated work force, and high levels of social spending.

**¶3.** (SBU) The current government, led by outgoing president Tabare Vazquez, was the first in Uruguay's long democratic history to be formed by the Frente Amplio (Broad Front) coalition, an amalgamation of groups from the left side of Uruguay's political spectrum. Uruguay has some of the oldest active political parties in the world (its two "traditional" parties began operating around 1830), so the Frente Amplio's ascension to power in 2005 raised questions in many minds about how well Uruguay would function under new leadership. Those questions are asked no longer: Vazquez has had an extremely successful presidency, and he is leaving office

with a historically unprecedented public approval rating of around 75 percent. Coming to power on the heels of the country's 2002 economic collapse, Vazquez and his team made prudent use of the subsequent recovery and the rise of commodity prices to deliver five years of economic growth, poverty reduction, and strengthened labor rights, thereby demonstrating that the Frente could successfully combine its long-stated concern for social justice with sound economic management.

**¶4. (U)** The Vazquez administration's highest profile domestic success story has been 'Plan Ceibal,' Uruguay's version of the one-laptop-per-child program. Uruguay is the first country in the world to have achieved the goal of providing every primary school child a laptop computer; over 400,000 elementary school children across Uruguay are now working daily on their laptops, and using free internet at the schools and in many public places. Solid economic growth and focused social spending have also significantly reduced the number of people in extreme poverty.

#### Uruguay's Resilient Economy

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**¶5. (U)** The global crisis was felt later and more mildly in Uruguay than in most other countries. Lessons learned from the regional economic crisis in 2002, including prudent macroeconomic policies, improved banking supervision and risk assessment policies, diversification of trade and investment put Uruguay in an excellent position to survive the global downturn. The Ministry of Economy estimates that Uruguay grew 1.2 percent in 2009, and, perhaps optimistically, predicts 3.5 percent growth for 2010. Inflation is now historically low, in the 6-7% range. The unemployment rate is hovering around 6.4 percent, down from a 2009 peak of 8.3%. Total debt is 53% of GDP. The Central bank has a good cushion of international reserves and, in order to ensure sufficient financing, the GOU proactively secured credit lines from IFIs in 2009 for almost \$900 million (\$400 million from the World Bank, \$285 million from the Inter-American Development Bank and \$400 million from the Andean Development Corporation (CAF)). Uruguay's credit rating has been improving steadily. Relatively low levels of corruption and a stable legal environment contribute to an attractive investment climate--which is however limited by the small size of its domestic market and the dysfunctionality of Mercosur as a customs union.

#### President-elect Mujica

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**¶6. (SBU)** After outgoing President Vazquez, the earthy, charismatic Jose "Pepe" Mujica is Uruguay's most popular politician. Still, Mujica's historic transformation -- from a Tupamaro guerrilla who spent around 15 years in prison, to leadership of the country -- was considered highly unlikely only two years ago by most observers of Uruguayan politics, who thought him too polarizing a figure. Aided by President Tabare Vazquez's achievements and a man-of-the-people's ability to connect with the electorate, however, Mujica was successful in extending his appeal to the political middle ground. Not only did Mujica signal continuity with Vazquez's moderate policies by selecting ex-Finance minister Danilo Astori as his running mate, but he has also tempered his rustic charm of late, cultivating a new, more clean-shaven image. During a campaign visit to Brazil, photographs of the usually shambolic Mujica resplendent in his first-ever suit made national headlines and served to counter charges that his homespun image would make him an other-than-ideal representative of Uruguay abroad.

¶ 17. (SBU) Although sometimes portrayed by political enemies as a volatile left-winger, Mujica has shown himself to be a pragmatic politician who can build bridges and consensus. He constantly reminds followers that their side has no monopoly on the truth, and his public pronouncements almost always stress conciliation and the need to understand other points of view. In that regard, he has made concrete signals to work across party lines to build more housing, improve public education, address crime, and reform the state bureaucracy, and has also announced similar intentions with regard to continued opening of the economy, such as plans to revitalize the national rail system. He has built confidence in the private sector by promising a secure investment climate.

¶ 18. (SBU) Mujica continues to live in a humble property in an undistinguished area of Montevideo, which he has long occupied with his wife Lucia Topolansky and their three-legged dog, Manuela. Topolansky is also an ex-Tupamaro, and she is the current leader of Uruguay's Senate. Mujica has always abided by salary restrictions imposed by his political movement, which means that he will only accept around USD 1,800 dollars per month from the Uruguayan president's salary of over USD 12,000 per month.

#### President-elect Mujica's Election Victory

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¶ 19. (U) Mujica and his Frente Amplio (FA) coalition won big in Uruguay's November 2009 runoff election. He beat National Party challenger Luis Alberto Lacalle by ten points (53-43), and the FA had earlier secured absolute majorities in both houses of parliament as a result of October 25 general elections.

#### Foreign Policy: A Work in Progress, but Good Early Signs

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¶ 10. (SBU) We expect an initially cautious approach to foreign policy as Mujica's new team takes office and begins to become familiar with international and regional issues. We should anticipate some degree of rhetoric and symbolic gestures reflecting the intellectual formation of Mujica and much of his cabinet in the revolutionary Latin American zeal of the 1960s. That will sometimes compete with the pragmatism and focus on current national interests we believe will be the final guide to their policy. Treating them as a respected and independent partner will be a key to working past the rhetorical 'shots'; your visit for the inauguration sends an invaluable signal of that respect.

¶ 11. Mujica plans to focus on regional integration and shoring up ties with Argentina and Brazil. Mujica has expressed admiration for the progress made in recent decades by the People's Republic of China, and the career diplomat tapped by Mujica as his foreign minister, Luis Almagro, was Uruguay's ambassador to that country. Mujica has made an effort to demonstrate that he understands the importance of the bilateral relationship with the U.S., and would like to continue and expand our educational and scientific exchanges. He has been clear that he will continue to support Uruguay's peacekeeping participation.

¶ 12. (SBU) We've had strong support from Uruguay on regional and multilateral issues in the last two years, standing for reinforcement of democratic institutions, prudent economic policies, and the peaceful resolution of conflicts. Uruguay has

done excellent work in Haiti, where it has one of the largest contingents of peacekeepers. The GOU has played a constructive role on regional issues, such as the OAS General Assembly deliberations on Cuba, the debate over the U.S.-Colombia Defense Cooperation Agreement, and Honduras, and is now a full member of the Pathways to Prosperity initiative. As a member of the International Atomic Energy Agency's Board of Governors, Uruguay supported us with regard to an important resolution on Iran and in the selection of a new director general. Within the UN Human Rights Council, the GOU voted for the USG candidate to the Council, and was also helpful recently on anti-Israeli resolutions, the Goldstone Report controversy, and on various single country resolutions of interest to the U.S.

#### Trade Issues

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**¶13.** (U) Conversations with Mujica and Foreign Minister Almagro may include the issue of access to the U.S. market for Uruguayan lamb and citrus. The USDA conducted an evaluative survey of fresh lamb meat in Uruguay in May 2007 and is working on a proposed rule to allow imports subject to conditions to prevent the introduction of Foot and Mouth Disease. GOU efforts to seek market access for citrus have been ongoing for several years. The Uruguayan citrus pest risk assessment (PRA) has been on hold pending a USDA domestic policy evaluation on citrus canker. Similarly, the U.S. seeks access to the Uruguayan market for U.S. beef and chicken. Uruguay closed its market to U.S. beef in 2003 due to Bovine Spongiform Encephalopathy (BSE), but has since reopened for U.S. bovine genetic products. In August 2007, the United States requested access for all U.S. beef and beef products and live cattle consistent with the World Organization for Animal Health (OIE) guidelines. In June 2009 the GOU began work on a risk analysis for U.S. beef. In 2007, Uruguay granted market access for U.S. turkey

and turkey products, but did not include chicken and other poultry species in the approved health certificate. USDA has requested specific import requirements for chicken meat following completion of Uruguay's study in accordance with OIE guidelines. Almagro has also raised with us Uruguay's desire for improved access to the U.S. market for wool textiles that could be achieved by adding Uruguay to Andean Trade Preferences.

#### Bilateral Assistance

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**¶14.** (U) The USG provides modest levels of bilateral assistance to Uruguay, in part because the relatively high level of per capita income (around USD 9,100) affects the country's eligibility for USAID and MCC programs. Many Uruguayans remember and greatly appreciate the U.S. assistance provided during the financial crisis of 1999 to 2002, including a vital \$1.5 billion bridge loan (which they repaid in 10 days) and increased public and private donations to hospitals, schools, and humanitarian organizations, but that short-term assistance has mostly ceased.

**¶15.** (U) The Inter-American Foundation, active in Uruguay since 1974, funded three grants for at a total of USD 279,000 in 2008. The Embassy's Office of Defense Cooperation also funds donations ranging from equine therapy and rural dental clinic equipment to health clinics and recreation centers to communities around the country, using DOD Humanitarian Assistance Project funds. The USG has ongoing technical assistance programs in place run by Treasury and the FAA, and receives small amounts of funds for provides INL counternarcotics funding.

**¶16.** (U) The U.S. approval rating here recovered substantially from the lows reached in the earlier part of the decade (even before the election of President Obama), rising to the 50 percent level in 2008 and 77 percent at the end of 2009. We credit much of this to our diversified outreach strategy, which includes active youth programs, social networking, work with NGOs and travel to the Interior. English teaching is a priority here. We gave the local school system funds to teach English to grade one through grade three students in 56 schools. The Embassy was one of the first three U.S. Missions to have its own FaceBook page. We now have over 3700 "FaceBook fans." Finally, successful lobbying from the Embassy induced the Uruguayan government to end its six-year moratorium on funding the local Fulbright Commission by giving the organization USD 150,000 in 2009.

Nelson